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18 August 1955

CURRENT INTELLIGENCE WEEKLY SUMMARY



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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

AMERICAN-CHINESE TALKS Page 1

The Geneva talks continue in an effort to find a formula for the release of Americans detained in Communist China and the return to the mainland of any Chinese in the United States who may wish to go. The Chinese Communists' immediate aims with reference to item one of the agenda apparently are to maintain the prerogatives of Chinese justice and to hold back some of the Americans until assured that any arrangement on the Chinese in the United States is working satisfactorily. Wang Ping-nan's conduct in the negotiations suggests that he wishes to avoid any abrupt termination of the talks.

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SOVIET TROOP REDUCTION Page 1

The USSR's announcement that it plans to reduce its armed forces by 640,000--about 16 percent of estimated present strength--is the latest Soviet effort to establish proof of peaceful intentions through "deeds" and give substance to the peaceful coexistence line. The reduction will constitute an adjustment of the Soviet armed forces to the changing requirements of nuclear warfare and probably will not diminish Soviet combat capability. It will also help to relieve the Soviet labor shortage.

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PART II

NOTES AND COMMENTS

Satellites Take Up Soviet Conciliatory Line Toward US: The Soviet conciliatory attitude toward the United States has now been cautiously echoed by the European Satellites. Satellite propaganda, however, has been characterized more by the sharp reduction of anti-American material than by professed admiration for American achievements.

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Status of Soviet Troops in Hungary and Rumania: Rumanian premier Gheorghiu-Dej's announcement that Soviet troops would be taken out of his country if foreign troops were withdrawn from western Europe indicates that the USSR does not intend to remove its armed forces from southeastern Europe at this time.

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USSR Improves Mobility of Forces in East Germany: The import into East Germany of approximately 12,000 new Soviet transport vehicles, which will greatly improve the mobility of Soviet forces there, probably reflects Soviet estimates of requirements for highly mobile operations in the event of nuclear warfare. [] Page 3 25X1

Kim Il-sung's Proposals of 15 August: North Korean premier Kim Il-sung, at ceremonies on 15 August commemorating the 10th anniversary of Korea's liberation from the Japanese, called for a Far Eastern conference on the peaceful unification of Korea, a withdrawal of foreign troops, and a joint North-South conference. The Communist objectives appear to be the withdrawal of American forces from Korea and the reduction of tension, without any attempt at present to settle the basic question of unification. [] Page 3 25X1

Vietnam: Diem's communiqué rejecting Viet Minh demands for election consultations has been held up by the French and not officially forwarded to the Viet Minh authorities. Relations between the International Control Commission and the South Vietnam government appear to have improved somewhat. Terrorist activity in Saigon has abated during the past week. [] Page 5 25X1

Laos: Pathet Lao-royal government negotiations are deadlocked and neither side is likely to modify its position significantly, despite the conciliatory efforts of the Indian delegation of the International Control Commission. Meanwhile, the Pathets have increased military pressure in the northern provinces. [] Page 5 25X1

Indonesia: The new Indonesian government under Premier Harahap is more conservative than its predecessor. It has already taken steps to achieve its main objectives--the holding of elections and the settlement of army grievances. Opposition from the National Party and the Communists as well as friction with President Sukarno can be expected to increase as the election date approaches. [] Page 6 25X1

New Pakistani Cabinet: The weakness of the new Pakistani government is evident in the fact that only three major political leaders have been given portfolios in an 11-man cabinet. An offer to H. S. Suhrawardy, popular and able opposition leader, to join the government remains open, but he is unlikely to accept. [] Page 8 25X1

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Afghan-Pakistani Situation: Negotiations between Afghan Foreign Minister Naim and Pakistani ambassador A. S. B. Shah have reduced differences in the dispute between the two countries to a single point--whether or not Afghanistan will refrain from propaganda in favor of Pushtoonistan. [REDACTED] Page 8

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French North Africa: The French cabinet has instructed Resident General Grandval to pursue a policy in Morocco which is contrary to the wishes of the Moroccans but is designed to conciliate the right wing of the French cabinet. Rebel ambushes continue in Algeria; a threatened general strike in Tunisia was postponed. [REDACTED] Page 9

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Rumors of Military Coup Continue in Brazil: Rumors and denials that a coup d'etat is imminent in Brazil continue as an aftermath of the 5 August speech by armed forces chief of staff Gen. Canrobert Pereira da Costa calling for military unity and alertness as the presidential election of 3 October draws closer. Nearly all civilian leaders, however, remain opposed to a coup. [REDACTED] Page 10

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New Tension in Argentina: The Argentine government's announcement on 15 August of discovery of a plot to assassinate Peron and top army officials underscores the continuing failure of official "pacification" overtures and may presage a sterner policy. Opposition groups may respond with new acts of resistance. [REDACTED] Page 11

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PART III**PATTERNS AND PERSPECTIVES****BONN WEAKENING IN HIGHWAY TOLLS DISPUTE WITH EAST GERMANY . Page 1**

The West German government has recently modified the selective embargo on exports to East Germany which it imposed last spring as a means of compelling the East German regime to discontinue its harassment of West Berlin. Interference with access to West Berlin is continuing, evidently for the purpose of making continued access so costly that West Germany will have to extend de facto recognition to the East German regime by negotiating with it. [REDACTED]

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SEPARATISM THREATENS STABILITY OF PAKISTAN Page 3

The problem of separatism is again becoming acute in Pakistan. In East Pakistan resentment against the centralization policy of Karachi appears to be building up. In West Pakistan the proposal to merge all provinces into one unit is strongly opposed, especially in the Northwest Frontier Province. [REDACTED]

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NEW POLITICAL ALIGNMENTS DEVELOPING IN GREECE Page 6

As the Greek Rally of Prime Minister Papagos gradually weakens, intensified maneuvers of its leaders for alliances to ensure their political survival are developing new alignments. A new political combination under Constantine Karamanlis might provide a reasonably stable, nationalist government after the Rally breaks up. [REDACTED]

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PART I**OF IMMEDIATE INTEREST****AMERICAN-CHINESE TALKS**

The Geneva talks are still concerned with finding a formula for the release of Americans detained in Communist China and the return to the mainland of any Chinese in the United States who may wish to go.

Chinese Communist representative Wang Ping-nan on 11 August proposed that Washington and Peiping declare that Americans in China and Chinese in the United States who desire to return may do so, except for those "involved in unfinished civil or criminal cases." Under Wang's plan, a third country would act to facilitate the return of Americans and Chinese at the request of the individual "or his government."

Wang's proposal would leave unchanged, however, the status of the 40 or more Americans detained in China, as all are involved in "unfinished" cases. Moreover, by providing for investigation of any individual's case at the request of "his government," the plan would open the way for Peiping, through the Indians, to put pressure on Chinese who do not wish to return.

Wang has strongly implied that some of the detained Americans would be released, under the pretext that reviews of their cases had been completed,

as soon as agreement is reached on the scope of third-country representation. At the same time, his remarks suggested that Peiping will not make a mass release of the Americans.

Peiping apparently wishes both to maintain the prerogatives of Chinese justice and to hold back some Americans until assured that arrangements for the return of Chinese from the United States are working satisfactorily.

Peiping has still not indicated what questions it intends to put forward under the second agenda item of "other practical matters at issue." Chou En-lai had implied in a 30 July speech that the Chinese might want to talk about economic restrictions and American and Chinese Nationalist military and intelligence operations in the China area. In early August Peiping seemed to be preparing a position on the principle of renunciation of force--tied to a demand for the withdrawal of American forces.

Wang Ping-nan's behavior in the talks so far has suggested that the Chinese will try to avoid any abrupt termination of the negotiations.

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SOVIET TROOP REDUCTION

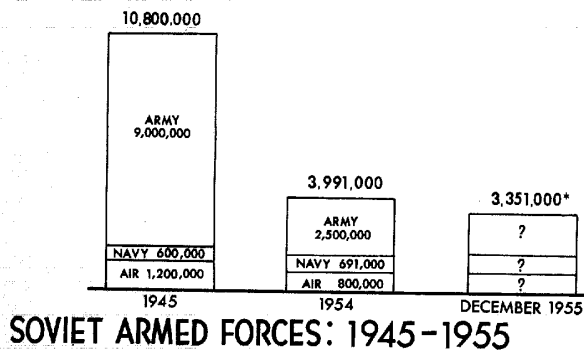
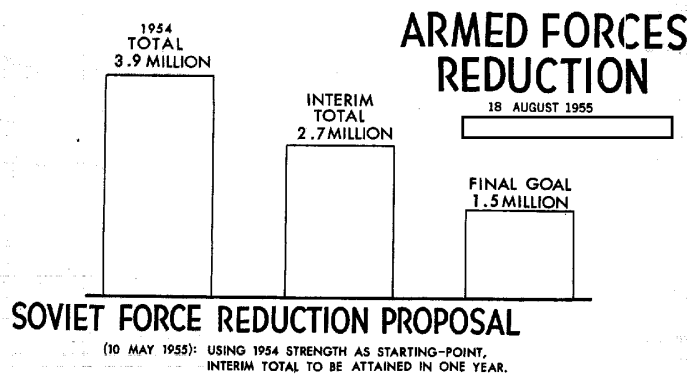
The USSR's announcement that it plans to reduce its armed forces by 640,000--about 16 percent of estimated present

strength--is the latest Soviet effort to establish proof of peaceful intentions through "deeds" and give substance

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*ANNOUNCED REDUCTION OF 640,000 TO BE ACHIEVED BY 15 DEC 1955:

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to the peaceful coexistence line. The reduction will constitute an adjustment of the Soviet armed forces to the changing requirements of nuclear warfare and probably will not diminish Soviet combat capability. It will also help relieve the Soviet labor shortage.

The announcement of a reduction at this time may be an effort to recapture public imagination with a concrete disarmament move and to divert attention from President Eisenhower's proposal at Geneva for aerial inspection and an exchange of military blueprints.

It will strengthen Moscow's negotiating position at

the forthcoming UN Disarmament Subcommittee discussion by putting pressure on the West to make a comparable concession toward arms reduction. The reduction goes about half way toward meeting the USSR's proposal of 10 May that armed forces be reduced within one year by 50 percent of the difference between their 1954 level and an ultimate level of 1,500,000 for the United States, Soviet Union and Communist China.

The USSR probably calculates that as a result of the relaxation in international tension following the summit conference, it can count on public sentiment, particularly in Western Europe, to prevent any further extension of Western alliances and bases.

The troop reduction is probably intended as a further demonstration that the Soviet military threat has faded.

The Soviet leaders may also believe that such a demonstration of sincerity as a unilateral reduction of forces may result in splits in the Western negotiating position at the foreign ministers' conference in October. In particular, they may hope to play off the French proposal for budgetary controls as a means of enforcing disarmament and Eden's advocacy of a collective security system for Europe and demilitarized zones in Germany against the American emphasis

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on effective inspection and the unification of Germany under NATO control.

If the USSR reduces its armed forces by 640,000 men this year, it will increase by approximately half the number of additional workers becoming available for the non-agricultural labor force in 1955. During recent years, rapid increases in nonagricultural production, in the absence of the necessary gains in output per worker, have been achieved largely through greater additions to the labor force than planned. These increments have been decreasing in size each year.

Soviet planners may now be trying to divert unproductive manpower from the armed forces to productive employment in the economy.

The development of nuclear weapons and means of delivering them probably will continue to be the most decisive factor determining the relative military strength of the Communist

bloc and the West. Because of the trend toward more powerful weapons, Soviet leaders probably have come to believe that military manpower can be reduced without a corresponding impairment of military capabilities. The reduction in the armed forces' demands for manpower probably will not involve any reduction in their requirements for equipment and materiel. The size of the military forces is probably merely being adjusted in line with revised military requirements and in order to maximize the growth of the total economy.

Part of the announced reduction may have been made previously under the Malenkov regime. There were indications during 1953 that, contrary to previous practice, demobilization schedules in the USSR were being strictly followed. Release of personnel previously held in service beyond the term specified by law probably has effected a shrinkage of total strength, although Soviet leaders have never publicly said so.

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PART II**NOTES AND COMMENTS****Satellites Take Up Soviet
Conciliatory Line Toward US**

The conciliatory attitude toward the United States first displayed by Soviet internal propaganda in early June was adopted--although cautiously--by the Eastern European Satellites soon after the conclusion of the summit conference in Geneva. Satellite propaganda, however, has been characterized more by the sharp reduction of anti-American material than by professed admiration for American achievements.

Satellite propaganda concerning the summit conference itself consisted of little more than reprints of the Soviet version. Coupled with this, however, was a pronounced drop in anti-American material. Although references to "circles" which agitate against peace are still made, such villains are now largely anonymous. Traditional opportunities for vilification of the United States are used only rarely, and almost entirely in connection with a specific issue, such as the defection campaign.

A few of the Satellites have begun to make occasional favorable references to the American attitude at the summit conference, the American people and domestic US affairs, in sharp contrast to their claims before the conference that the United States was interfering with Satellite affairs through diplomacy and espionage.

On 29 July, the Hungarian press announced that "more sensible circles are now gaining the upper hand in America." The Rumanian radio has reported

objectively on the Chinese-American talks in Geneva and declared that they will result in friendly relations, as "desired by the Chinese and American people."

Satellite broadcasts have made few favorable references to American economic and scientific accomplishments of the type frequently included in Soviet propaganda in recent months. This is probably because of the continued necessity of paying tribute first, foremost and almost exclusively to the USSR.

Nevertheless, the Polish Home Service, in two August commentaries on the visit of the USSR's agricultural delegation to the United States, admitted that agriculture had been highly developed in Iowa and that the visit may promote "the growth of mutual knowledge." This was attended, however, by the statement that only the large Iowa farms were making money. This addition was obviously in deference to Communist efforts to foster large collective farms.

Both Poland and East Germany have acknowledged that the United States as well as the USSR is a leader in atomic science, but both emphasized that the USSR is ahead.

An East German commentary illustrates a standard pattern of condescension and irony likely to be employed whenever American accomplishments are admitted. It said the United States' concern with the "profitable" aspects of atomic energy is "a little medieval," revealing that "a country with a modern technology but an obsolete social order

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simply cannot keep up with a world that has dethroned the golden calf."

Because the Soviet propaganda campaign apparently is designed for long-term use, the Satellites can be expected to

take on more of the characteristics of the Soviet pattern. Time lags are, however, almost inevitable, and varying conditions and local problems will also probably result in differences of treatment.

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Status of Soviet Troops In Hungary and Rumania

Rumanian prime minister Gheorghiu-Dej's press announcement on 11 August that Soviet troops would no longer be needed in Rumania and would be withdrawn if "foreign troops were withdrawn from...West Europe" indicates that evacuation of Soviet troops from Austria will not necessarily mean removal of the troops which have been protecting Soviet communications lines.

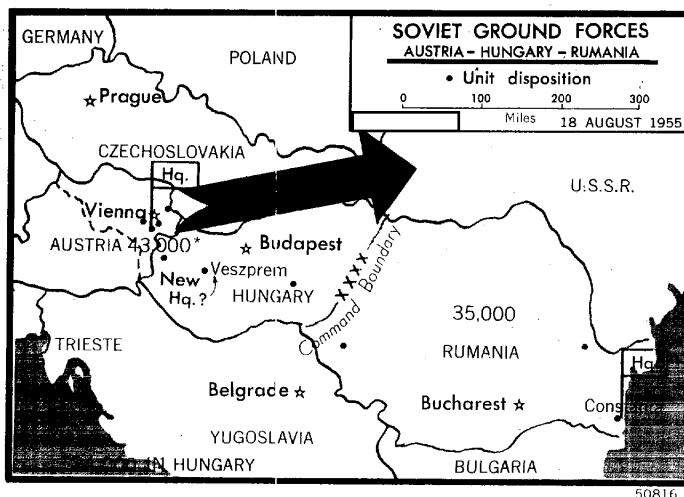
Ratification of the Austrian state treaty removed the legal basis for keeping Soviet troops in Hungary and Rumania, and the withdrawal of the Soviet troops in Austria makes it probable that some new legal justification--probably the Warsaw treaty--will be put forward for the continued occupation of southeastern Europe.

It does not appear that Soviet forces now withdrawing from Austria will be stationed in these countries. Marshal Zhukov's order of 31 July directing that all Soviet troops stationed in Austria return "to the territory of the Soviet Union before 1 October 1955" makes it

unlikely that any of these forces will be reassigned to the Satellites. Also, the route of the departing Soviet troop trains indicates a move back to the USSR.

The reported plan to transfer the headquarters of the Central Group of Forces from Baden, Austria, to Veszprem, Hungary, remains unconfirmed. It is reasonable, however, that this headquarters, which has controlled Soviet troops assigned to Austria and Hungary, might be moved to Hungary for as long as Soviet troops continue to be stationed there.

The USSR evidently does not intend to withdraw its armed forces from southeastern Europe



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at this time. Continued Soviet occupation of the area gives substance to the Warsaw treaty and maintains a Soviet bargaining point to be used in pressing for eventual removal of NATO bases in Western Europe.

Soviet leaders may also feel that withdrawal at this time would increase popular unrest by encouraging the present speculation among the Satellite populations that the USSR is yielding to Western pressure and may loosen its hold on the Satellites.

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USSR Improves Mobility of Forces in East Germany

Large-scale imports of new Soviet transport vehicles into East Germany between August 1954 and March 1955 have greatly increased the mobility of Soviet forces in East Germany. This development apparently is part of the modernization and equipment program noted in the Soviet army in Germany since early 1954 and probably reflects Soviet estimates of requirements for highly mobile operations in the event of nuclear warfare.

During this period approximately 12,000 vehicles were imported, bringing the possible total vehicle strength of Soviet units in Germany to about 65,000. Although delivery of considerable quantities of the new So-

viet vehicles to the East German army and the return of worn-out equipment to the USSR may reduce this total, it is clear that there has been a substantial net increase for Soviet units. Furthermore, the number of vehicles reported in new or better-than-average condition increased from 25 percent of all vehicles in July 1954 to 42 percent in April 1955.

Major Soviet units in East Germany have probably almost reached authorized vehicle strength. This increase remedies any deficiencies that may have existed in the capability of Soviet motor transport to sustain offensive military operations in Europe.

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Kim Il-sung's Proposals of 15 August

At a rally on 15 August celebrating the tenth anniversary of the liberation of Korea from Japan, North Korean premier Kim Il-sung renewed the Communist demand for a Far Eastern conference "of all the countries concerned, with the broad participation of Asian countries," to work out a program for the peaceful unification of Korea. Kim also called for the withdrawal of foreign troops, and proposed that North and South Korea disavow the use of force in settling the unification problem, reduce their armies to a minimum, provide for greater contact, and hold

a joint North-South conference to discuss the question.

All these proposals are standard Communist propaganda. They have been put forth periodically since the end of hostilities, and, in some instances, even prior to the war. The call for a renunciation of force by North and South Korea, while implicit in previous propaganda, is more specific this time. Kim's proposals on foreign troop withdrawals, reduction of indigenous forces to 100,000 and cultural and economic intercourse between the North and South were set forth at the Geneva

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conference in July 1954, and have been repeated by the North Korean regime during the past year.

Emphasis on the unification theme at this time, when Rhee is adopting a bellicose attitude toward the Communists, is a further attempt to demonstrate the North Korean regime's desire for peaceful unification.

Peiping has officially supported Kim's proposals; Moscow reported the speech without official comment, emphasizing those parts dealing with foreign troop withdrawal and "peaceful" unification.

Communist China has been suggesting for several months that it would be interested in an international conference to take up outstanding Far Eastern questions, particularly those relating to Formosa, Korea and Indochina. Peiping expressed the hope before and during the summit talks that the Big Four leaders would agree to such a conference. The USSR was expected at Geneva to propose a conference of five, six, ten or more powers--including Peiping and some Asian neutrals--to take up Asian questions, but, apparently in the interest of amity at Geneva, failed to introduce Far Eastern questions formally.

Soviet and Chinese Communist comment since Geneva has strongly suggested that a proposal for a new multilateral conference on Far Eastern issues is being held in reserve. Chou En-lai on 30 July stated explicitly that "we support" the proposal of "many Asian countries"

for such a conference, and a Pravda commentator on 3 August wrote of the "urgent necessity" of settling "pressing issues" in the Far East, specifically citing those related to China, Indochina and Korea.

With respect specifically to Korea, Chou En-lai in his foreign affairs report of 11 August said, "The countries concerned should convene a Far Eastern conference with the broad participation of Asian countries to seek a peaceful settlement of the Korean question." There is no clear indication whether the Communists would prefer to discuss Korean questions at a conference concerned with Korea alone or as one item on the agenda of a conference on many Far Eastern questions.

A continuation of the political status quo in Korea is not to the Communists' immediate disadvantage. There is little likelihood that they are prepared to alter their previous unification proposals, which preclude free elections. The population of North Korea is approximately 7,900,000 while that of the south is 21,000,000. Thus the Communists would be unwilling in practice to permit either free elections under UN supervision or an effective joint legislature based on proportional representation as demanded by the West.

The Communist objectives appear to be the withdrawal of American forces from Korea and the reduction of tension, without any attempt at present to settle the basic question of unification.

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Vietnam

Premier Diem's communiqué of 9 August rejecting Viet Minh demands for election consultations has not yet been officially forwarded to the Communist authorities. The French have refused to deliver Diem's message to the Viet Minh on the grounds that it was not properly addressed. The South Vietnam government purposely omitted an address in order to avoid any suggestion of recognition of the Viet Minh regime.

The Viet Minh's reaction to Diem's communiqué was at first relatively mild, but has since sharpened. Peiping radio was warned of "dangerous consequences" if the 1954 Geneva powers do not put an end to South Vietnam's "violations" of the Geneva accords.

Relations between the International Control Commission and the Diem government appear to have improved somewhat following direct talks between Diem and Indian chairman Desai on the location of commission headquarters in the south. Desai is reported to have stated recently that both the North and the South Vietnam governments are co-operating with the control commission. However, the Diem government is still trying to arrange for the bulk of the commission's personnel to be quartered at Dalat, while offering villas in Saigon for the three commission ambassadors.

[redacted] the area immediately south of the 17th parallel reports that this zone is a "sieve" through which political and possibly military infiltration from the north is steadily proceeding. Neither the French nor the Vietnamese have sufficient forces in the area to block the flow.

Terrorist activity in Saigon has generally abated in the past week and military action against rebel forces has slackened. A much-publicized "massive" offensive by the Vietnam National Army against the Hoa Hao forces of Ba Cut appears to be essentially a routine clearing and patrol operation. The possibility of a Cao Dai uprising against the government has again been advanced in certain quarters, but it is generally felt that hostilities are not imminent.

Meanwhile, the new French ambassador and high commissioner to Vietnam, Henri Hoppenot, who arrived in Saigon on 11 August, has presented his credentials to Premier Diem.

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Laos

The negotiations between the Laotian government and the Pathet Lao continue deadlocked. Government negotiators have assured the Pathet Lao that it could participate in free elections without discrimination under the Laotian constitution, but Pathet demands for revision of the electoral law have been almost completely rejected.

The government has again called for the immediate re-establishment of royal administration in the two northern provinces, with the Pathets participating but not in control. The Pathets will probably reject the government's proposals despite a visit by the Indian chairman of the International Control Commission to the Pathet chief, Prince Souphannouvong, in Sam Neua.

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Although this visit resulted in no tangible concessions, the Indian official returned professing to have been impressed by Souphanouvong's "sincerity" and desire for a peaceful settlement. He also felt that Viet Minh influence on the Pathets had been exaggerated and reported having seen no Viet Minh personnel. Souphanouvong assured him that, while there are strong fraternal feelings, the Pathets receive and need little aid from the Viet Minh.

The Indian official will probably persist in his search for common ground on which to negotiate a political settlement. He has just reproached the government for not trying seriously. The government, however, believing the negotiations will make no progress, is already preparing a strong appeal to Nehru to be presented when Crown Prince Savang and Prime Minister Katay visit India in late August or early September.

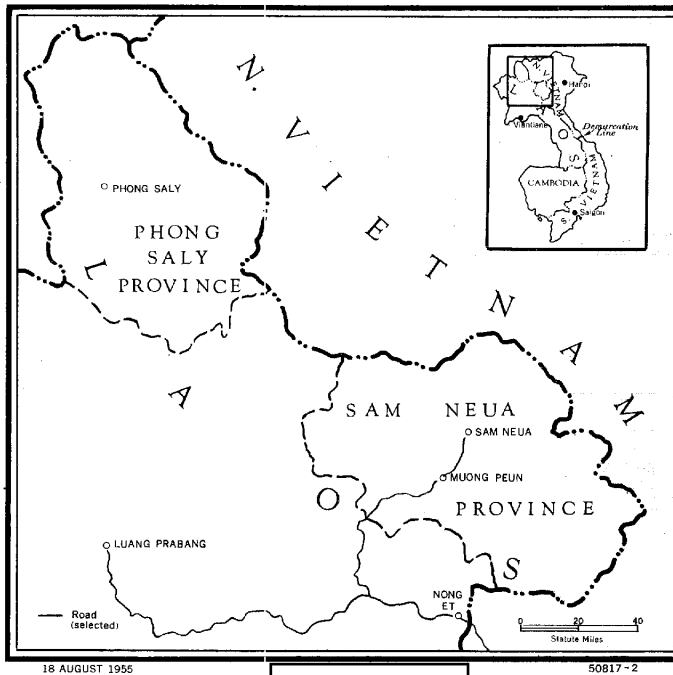
Meanwhile, the Pathets have stepped up military pressure on government forces in northern Laos with small-scale attacks during the past two weeks.

Indonesia

The one-week-old Harahap government in Indonesia has already taken steps to achieve its main objectives--the holding of the country's first national elections and the settlement of army grievances. Opposition

from the National Party and the Communists, as well as friction with President Sukarno, can be expected to increase as the elections, still scheduled for 29 September, approach.

PATHET LAO AREA - NORTHERN LAOS



A battalion of the Laotian army was recently routed by a Pathet Lao unit in the vicinity of Muong Peun in Sam Neua Province and the American army attaché in Vientiane has described the situation in the area as "critical." In addition, Communist military activities in Phong Saly Province are following the pattern which was established just before the Pathet attacks on Muong Peun last month.

Only in the event of a collapse of negotiations, however, would intensified Communist military action aimed at removing government forces from the two provinces become likely.

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Although the cabinet as a whole is not particularly distinguished, none of its members are known to be corrupt. It will, moreover, be strongly susceptible to the influence of Vice President Hatta, who is widely respected for his sense of moderation and his nationalism.

The new foreign minister has indicated that an effort will be made to "restore warmth" in United States-Indonesian relations. There is also reason to believe that the new regime will be considerably less eager than its predecessor to promote friendly relations with Communist China, and it may be less vociferous in pressing the Indonesian claim to Dutch New Guinea.

Premier Harahap publicly stated that an investigation of election preparations would get under way "immediately" in order to determine whether they are sufficiently advanced to permit the elections to be held on 29 September.

With regard to the army, one of the government's first acts was to accept the resignation of General Utoyo as chief of staff. Utoyo's appointment precipitated the crisis leading to the downfall of the Ali regime. The government has also announced that it will respect the army's integrity and keep politics out of military affairs.

The army, meanwhile, is [redacted] pressing for a voice in the naming of the permanent defense minister, for establishment of a board to suppress corruption in the gov-

ernment, and for three seats in both the new parliament and the subsequent constituent assembly. These requests will undoubtedly be given serious consideration by the government.

Army-government co-operation is illustrated by the arrest of the former minister of justice on charges of corruption, which should not be hard to prove. The army made the arrest with the knowledge and approval of the new minister, and it is believed the outgoing finance minister is also to be arrested on charges of malfeasance in office. [redacted]

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Opposition of the National Party and the Communists to the new government has not yet crystallized. An official statement of the National Party conceded that the cabinet ought to hold office for five months--long enough to restore governmental authority and carry out the elections.

The Communists, who strongly supported the Ali government to the end, apparently have not yet clearly charted a course of action regarding the new government. There have been reports of discontent within the party over the united-front policy, and demands are increasing for more positive action, such as strikes and demonstrations. The Communists, however, are undoubtedly anxious to make a good showing at the polls and may well refrain from "direct action" until after the elections. [redacted]

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New Pakistani Cabinet

The weakness of the new Pakistani government is evident in the fact that only three major political leaders have been given portfolios in an 11-man cabinet. An offer to H. S. Suhrawardy, popular and able opposition leader, to join the government remains open, but he is unlikely to accept.

The only figures of note in the cabinet sworn in on 12 August by Acting Governor General Iskander Mirza are Communications Minister Dr. Khan Sahib, Interior Minister A. K. Fazlul Huq, and Prime Minister Chaudri Mohammad Ali.

Khan Sahib, who also holds the portfolio for states and frontier regions, is an elderly, respected Pathan from the Northwest Frontier Province whose more dynamic brother, Abdul Ghaffar Khan, is leading the opposition to creation of a single province for all of West Pakistan.

Fazlul Huq is head of the United Front Party, whose agreement to a coalition with the Moslem League made the present government possible.

Prime Minister Chaudri Mohammad Ali at least temporarily

also holds the portfolios of defense, foreign affairs, economic affairs, and finance. He is a competent and respected administrator who commands the devoted loyalty of the civil service. Known as a devout but liberal Moslem, he is the personal choice of Mirza, and has co-operated closely with the West in foreign policy. For several years his physical condition has been uncertain and his health is expected to deteriorate under the pressure of his new responsibilities.

The cabinet seems to have been chosen mainly to approve the actions of Mirza and the prime minister. Aside from Huq, none of its members has any political following.

Suhrawardy, head of the Awami League, was offered the post of deputy prime minister but has apparently decided to lead the opposition. He and the prime minister have exchanged public compliments and the offer to Suhrawardy will reportedly remain open for another few days.

The loose Moslem League-United Front coalition should be able to muster a majority in the Constituent Assembly. The uncertainty as to where Huq stands and as to whether he can control the Front, as well as the prospect of Suhrawardy's skillful opposition, makes uncertain the viability of the present cabinet.

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Afghan-Pakistani Situation

Negotiations between Afghan foreign minister Naim and Pakistani ambassador A. S. B. Shah have reduced differences in the dispute between the two countries to a single point --whether or not Afghanistan will refrain from propaganda in favor of Pushtoonistan.

A Turkish offer to mediate if the Pushtoonistan issue is given up entirely has in effect been rejected by Afghanistan. Afghanistan's latest proposal for mutual abandonment of propaganda leading to "vilification and hatred" without any reference to Pushtoonistan may lead to eventual settlement.

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An official of the Afghan Ministry of Finance informed the American embassy in Kabul on 11 August that the USSR is holding up shipments of badly needed gasoline, kerosene, and diesel fuel on the grounds that settlement of the quarrel with Pakistan, which made the Soviet supplies essential, is imminent.

A known scarcity of POL supplies in Kabul lends some support to the report that the USSR is holding back shipments. Accordingly, fears that Prime Minister Daud's problems would be solved if he turned to the USSR appear to have been premature.

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French North Africa

The French cabinet has instructed Resident General Grandval to pursue a policy in Morocco which is contrary to the wishes of the Moroccans but is designed to conciliate the right wing of the French cabinet. Rebel ambushes continue in Algeria and a threatened general strike in Tunisia has been postponed.

Morocco: On 12 August the French cabinet in effect rejected Grandval's recommendation, as well as the petitions of a growing number of French and Moroccan organizations, that Sultan Mohamed ben Arafa be removed before the 20 August anniversary of the dethronement of former sultan Mohamed ben Youssef. The cabinet instructed that Ben Arafa form a "representative Moroccan government" which would negotiate with Paris for a reform program for Morocco.

Should this effort fail, the cabinet might then consider the formation of a regency council to carry on negotiations while Ben Arafa remained on the throne. Premier Faure established a timetable, allowing three days for Ben Arafa to install his new government and setting 12 September as the absolute deadline for establishment of a negotiating body. The sultan, however, has requested more

time in which to form a government, which he indicated would consist only of his supporters.

A residency spokesman in Rabat has confirmed the belief of American observers that the request that Ben Arafa form a government is a move by Faure to convince rightist supporters of Ben Arafa within the French cabinet of the necessity for eliminating the sultan. Faure is certain that these ministers, particularly Foreign Minister Pinay, could be convinced by a "demonstration" that the scheme is unworkable.

Grandval is reported to have resigned on 13 August but to have later reconsidered and to be willing to go through with the maneuver.

American officials point out that Moroccan nationalists will be strengthened by Paris' delaying tactic, and that the maneuver may also result in a serious loss of prestige for Grandval, making the eventual implementation of a reform program more difficult.

Algeria: Rebel units continue their hit-and-run tactics against military scouts and convoys. Despite nearly a year's experience in this type of warfare, the government's forces

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remain highly susceptible to ambush.

A rebel cache containing clothing of Egyptian origin, revolvers, ammunition, and medical kits sufficient to equip three platoons was recently discovered in the Aures Mountains in eastern Algeria. This discovery may spur operations against smuggling as well as form the basis for new protests to the Egyptian government.

Tunisia: A nationwide strike scheduled for 10 August was called off by the pronationalist Tunisian General Labor

Union when its leaders recognized that the economic distress of the country and widespread unemployment were likely to be aggravated rather than relieved by hasty action.

The reaction of both French officials and Tunisians to Secretary Dulles' statement regarding the French-Tunisian conventions was favorable. A residency spokesman remarked, however, that the statement was likely to be interpreted in Paris as evidence that the United States might shift its position in the United Nations on the Moroccan problem.

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Rumors of Military Coup
Continue in Brazil

Rumors and denials that a coup d'etat is imminent in Brazil continue as an aftermath of the 5 August speech by armed forces chief of staff Gen. Canrobert Pereira da Costa calling for military unity and alertness as the presidential election of 3 October draws closer.

President Café Filho and most leading political figures of all parties are on record as opposed to any unconstitutional solution of the presidential succession, but newspaper editor and congressman Carlos Lacerda is publicly urging the military to call off the elections.

The American embassy in Rio de Janeiro reported on 10 August that the general public was still apathetic toward the election and the candidates, and that sentiment in favor of a military move seemed to be increasing in middle-class circles in Rio.

The Brazilian military customarily regard themselves as the guardians of constitutional order and prefer to leave politics to the politicians. Their intervention in the presidential campaign would indicate a real fear that a Kubitschek-Goulart victory is likely.

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If General Juarez Tavora, the only moderate-conservative candidate in the presidential

race, can overtake Kubitschek's lead and win the election, the military's hand will not be forced.

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New Tension In Argentina

The Argentine government's announcement on 15 August of discovery of a plot to assassinate Peron and top army officials underscores the continuing failure of official "pacification" overtures and may presage a sterner policy. Opposition groups may respond with new acts of resistance.

The announcement was made in an atmosphere of continuing antigovernment demonstrations, hit-and-run attacks on the police, and a new pamphlet campaign urging peaceful resistance by measures such as boycotting commercial establishments. On 14 August a church declaration had urged Catholics not to attend school or work on the following day, the Feast of the Assumption, which Peron removed last March from the list of legal holidays.

In the government's communiqué announcing discovery of a plot, retired military men were implicated along with "Catholic clergy, members of the Democratic Party, nationalists, and Communists." The alleged leaders were Mario Amadeo, a Catholic leader who was also reported involved in the 16 June revolt, and Michel Torino, a Radical leader and journalist, who subsequently denied the charge.

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The Peronista Party and press are citing the alleged plot as an example of the opposition's refusal to observe a truce. Juan Cooke, a Peronista leader in Buenos Aires, stated on 15 August that Peronism must be powerful and will again "go on the street and hold public functions." He said the party would stage a "mobilization campaign," and he appealed to those who had left the party to return.

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These new developments point to the possible revival of several measures which the armed forces previously opposed, including severe restrictions on opposition parties and a strong role for the Peronistas. Moreover, new criticism of the church is implied in the communiqué.

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The top military leaders, who may also feel their lives threatened by opposition plotting, may now have to reassess the impact such new measures would have on the provincial commanders and their other supporters.

Army Minister Lucero returned from a tour of army posts in the provinces last week. Because of "unsatis-

factory political conditions" at some army posts, especially in Mendoza, San Luis, Corrientes, and Entre Rios, Lucero plans to send other officers to visit the provinces this month.

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PART III**PATTERNS AND PERSPECTIVES****BONN WEAKENING IN HIGHWAY TOLLS DISPUTE WITH EAST GERMANY**

The West German government has recently modified the selective embargo on exports to East Germany which it imposed last spring as a means of compelling the East German regime to discontinue its harassment of West Berlin. Although this harassment is continuing, the West Germans appear reluctant to press the toll issue at this time, evidently hoping that some solution to this problem will be found during Chancellor Adenauer's visit to Moscow in September.

The West German cabinet, possibly under the pressure of West German businessmen, but without prior consultation with the Allied powers in Bonn, decided last month to permit delivery of certain embargoed items in return for increased East German exports of key commodities, particularly brown coal briquettes. Shipments of hard coal and coke valued at approximately \$1,750,000 were licensed in mid-July, and further shipments are planned as East German deliveries of brown coal briquettes are received.

This is a radical departure from Bonn's previous policy of maintaining cumulative pressure on the East Germans until they repeal the excessive increases in tolls on trucking to West Berlin which were announced on 30 March 1955. Bonn is, however, still maintaining its restrictions on the export of iron and steel products.

The toll increase was evidently part of a Soviet-East German strategy to make continued Western access to Berlin so costly that West Germany would have to pay the political price of extending de facto recognition to the East German

regime by negotiating with it, or else acquiesce in this additional step toward the slow economic strangulation of West Berlin.

The West German cabinet, somewhat reluctantly, responded to the challenge by putting into effect a selective embargo on the export to East Germany of Ruhr iron, steel, and coke, and concurrently broke off trade negotiations.

West German and West Berlin authorities also undertook to compensate truckers for the increase in tolls. West German officials even showed some signs of willingness to pay the new tolls indefinitely; they were in general agreement in principle that they should make some contribution to the upkeep of those roads crossing East Germany to Berlin that are used for interzonal trade.

East German trade officials rejected West German requests to discuss the tolls in interzonal trade negotiations, demanding talks on the ministerial level. Since Bonn has strongly opposed granting this degree of implicit recognition to the East German government, West German officials appealed to the Western Allies to take up the matter with the USSR.

At a four-power ambassadors' conference on 20 May, Soviet ambassador Pushkin flatly rejected the Allied argument that the road tolls constituted interference with access to West Berlin and declared that East Germany as a "sovereign" state was "master of its roads" and had full authority to levy taxes for their use. He urged that representatives of East and West Germany settle the matter by direct negotiation.

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Solidly backed by the USSR, East German officials sought to force West Germany into negotiations at the ministerial level. They intensified harassing measures directed at West Berlin by inaugurating a policy of seizing shipments of metal scrap carried by trucks, barges, or rail. At the same time they announced "vigilance" measures designed to curtail access to West Berlin, claiming these were necessary for defense against espionage activities directed against East Germany from the "West Berlin spy center."

Faced with these pressures and Western reluctance to take extreme retaliatory measures, Bonn on 27 May partly capitulated to East German demands for negotiations and proposed that talks be held between experts of the two Transport Ministries. Although Bonn acceded to demands that the talks be held in East Berlin, it insisted that this did not imply any recognition of the East German regime.

Possibly in return for the West German concession, East Germany announced on 2 June that the highway tolls would be somewhat reduced. The reduction for freight trucks, however, was negligible.

Negotiations between transport experts to date have yielded few results, although West German officials are prepared to offer an annual lump-sum payment of approximately \$3,000,000 toward maintenance costs of highways to Berlin, and if necessary to raise the offer to \$4,500,000. They have also expressed a willingness to consider concessions to alleviate East German needs for Western-manufactured railroad and truck spare parts.

There has been continuing evidence that East Germany is feeling the pinch of the embargo on iron and steel products. The first secretary of the

Socialist Unity (Communist) Party reported to the party central committee on 2 June that shortages of iron and steel would curtail expansion of the machine-building industry. Instead of carrying out earlier threats to cut deliveries of brown coal briquettes, East German authorities have offered additional quantities of briquettes in exchange for larger amounts of iron, steel, coke, and hard coal.

American authorities in Berlin feel that the East German press campaign inaugurated on 11 August for the resumption of full-scale iron and steel deliveries indicates continued adverse effects of reduced shipments.

The East Germans are continuing their efforts to pressure Bonn into further direct contacts in order to obtain a measure of West German recognition. When shipments of live cattle to West Berlin from Denmark via Warnemuende were stopped by East Germany last month, East German officials declared that the whole matter could be settled easily by official negotiations.

The East Germans are also insisting that the West German transport minister address a letter to his East German counterpart authorizing his technical experts to negotiate the truck toll question. Bonn has been reluctant to provide such a letter, fearing that the East Germans would exploit it as an implication of West German recognition of the Pankow regime.

The interference with access to West Berlin is continuing. In the second week of July, East German seizures of scrap shipments in transit by barge, rail and truck between West Berlin and West Germany were resumed after a

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week's lull, and have continued into August. As of 25 July, the value of scrap confiscated and fines imposed since April totaled over \$202,000. The West German scrap trade association is seeking guarantees from the Bonn government to compensate for fines paid, as well as for the cost of confiscated scrap, which is covered only in part at present.

East German authorities have also extended measures to bar East Germans from access to West Berlin. A ban on travel to West Berlin has been imposed

by forcing East Berliners to sign pledges not to go to West Berlin and threatening various punishments for violation of these pledges. The pledge campaign is now being extended to other parts of East Germany.

At present, not only East German government officials and members of the Socialist Unity Party and armed forces but also employees of the East Berlin municipality and state-owned enterprises are barred from West Berlin. West Berlin's Mayor Suhr estimated on 4 August that half of East Berlin's labor force is now denied access to West Berlin.

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SEPARATISM THREATENS STABILITY OF PAKISTAN

The problem of separatism is again becoming acute in Pakistan. In East Pakistan, resentment against the centralization policy of Karachi appears to be building up. In West Pakistan, the proposal to merge all provinces into one unit is strongly opposed, especially in the Northwest Frontier Province.

A major clash on these issues will probably occur in the Constituent Assembly. The shaky new political arrangement set up by Acting Governor General Iskander Mirza and Prime Minister Chaudri Mohammad Ali is not likely to be able to take any constructive action on these problems.

East Pakistan

Densely populated East Pakistan has 55 percent of the country's total population and is separated from West Pakistan by 1,000 miles of Indian

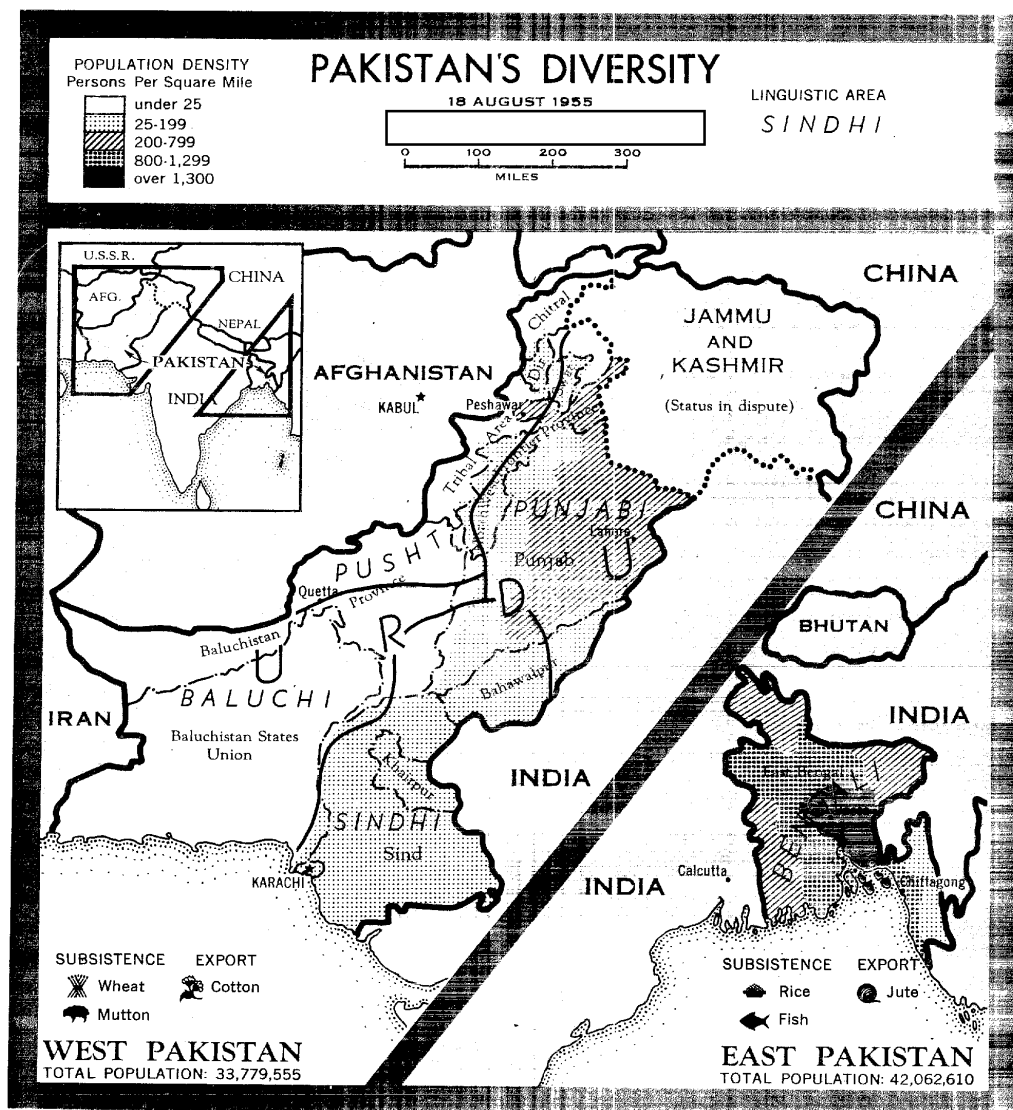
territory. Its language, Bengali, is unrelated to West Pakistan's Urdu and its cultural and racial background is quite different, although both regions share the religion of Islam. East Pakistan's economy depends on jute rather than cotton; the food of the people is rice and fish rather than wheat and meat. West Pakistan's close orientation toward the Middle East in political and cultural affairs is not shared by the eastern wing of the country.

The recently restored East Pakistani provincial government of Chief Minister Abu Hussain Sarkar is controlled by A. K. Fazlul Huq, whose separatist tendencies and maladministration last year forced Karachi to take over direct rule of the province. Huq is a member of the new central cabinet of Prime Minister Chaudri Mohammad Ali, but he was unable to bring with him

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the support of important elements of his United Front Party. This, as well as the fact that contrary to tradition neither Pakistan's new governor general nor its new prime minister is a Bengali, will probably add to the local suspicion that East Pakistan is being run by and exploited for the benefit of West Pakistan.

Within East Pakistan, a conflict is already apparent

between the popularly elected East Pakistani government and West Pakistani administrative officials appointed by Karachi.

East Pakistan has been the center of Communist activity in Pakistan since 1947. The Communist Party of East Bengal, unlike its West Pakistan counterpart, is in close contact with the well-organized Communist Party of India. The East Pakistan party has identified

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itself closely with Bengali cultural and political aspirations. One known Communist was elected to the Central Constituent Assembly on 21 June, though he ran as an independent. Chief Minister Sarkar has already released 450 political prisoners, most of them professional leftist agitators who were jailed last year when Karachi imposed direct rule.

Most political figures in East Pakistan, including Fazlul Huq, are either dubious about, or openly opposed to, Pakistan's close ties with the West. Maulana Bashani, reactionary religious leader who heads the important Awami League in East Pakistan, is outspokenly anti-American and has had frequent Communist contacts. Some local politicians favor a rapprochement with India and adherence to a policy of neutralism in foreign affairs.

East Pakistan feels its majority population should be reflected in majority representation in the central government. It supports a parliamentary form of government rather than one which gives independent power to an executive governor general or president. This old issue will be fought out again in the new Constituent Assembly.

Some Bengalis may attempt to defeat the government's plan for a two-unit state, i.e., East and West Pakistan, by alignment with opposition groups in West Pakistan. The price of Fazlul Huq's support of Mirza and Chaudri Mohammad Ali's government is likely to include increased influence and autonomy for East Pakistan.

West Pakistan

The present three provinces and eight lesser units of West Pakistan are based on natural ethno-political divisions--some have existed in their present

form for more than a century. They conform closely to the four major and several minor dialects and languages of a population of several distinct, but closely related, cultures. The common language, Urdu, is widely known and accepted but is not a common mother tongue. The essential similarity of all the groups within West Pakistan, however, is in striking contrast to the dissimilarity of the whole to East Pakistan.

The "one-unit" plan is the brain child of the group of civil and military administrators now in control of the government. It has always been unpopular in the states and smaller provinces of West Pakistan which fear that it will subordinate their interests to those of the dominant Punjab. Significantly, the governments of all three provinces have been overturned by Karachi for reasons directly or indirectly connected with opposition to the "one-unit" concept, since former governor general Ghulam Mohammad took over direction of the government last October.

The "one-unit" bill was introduced in the Constituent Assembly on 8 August. The depth of antagonism to the plan had become apparent a month earlier when Frontier Province chief minister Abdur Rashid, until then a devoted follower of the central ruling group, announced his opposition to liquidation of the Northwest Frontier Province. As a result of Rashid's provocative statements in the Constituent Assembly, he was dismissed. At the same time, Iskander Mirza, then interior minister, unadvisedly lifted the ban which had kept Abdul Ghaffar Khan, leader of the once powerful "Red Shirt" movement for provincial autonomy, from entering the Frontier Province since 1948. Ghaffar Khan triumphantly returned and was greeted

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by a crowd of 100,000 at Peshawar. He immediately began organizing opposition to merger of the province.

The virile character of the Pathan population of the Frontier Province makes the situation explosive. Most Pathans carry arms and civil disturbances are a real possibility. Ghaffar Khan, known in pre-partition India as "the Frontier Gandhi," is an expert demagogue pleading a popular cause. The central government has for a year and a half tried unsuccessfully to win him over, even nominating his brother, Dr. Khan Sahib, as chief minister of the proposed single-unit province of West Pakistan. Under present conditions, an attempt to arrest Ghaffar Khan on his home ground might touch off violent resistance.

Formal establishment of a single province in West Pakistan will mean the end of the

traditional special status accorded to the tribes of the border hills in their own territory. Pakistan will then have to face the problem of how to control 2,500,000 people who have never before accepted formal law. Development within Pakistan of a Pathan autonomy movement will also inevitably handicap Pakistani opposition to Afghanistan's long-standing demand for establishment of an independent state of Pushtoonistan.

Thus, the government in Karachi faces twin tasks: (1) establishment of a harmonious working relationship between East and West Pakistan; and (2) enactment and implementation of the one-unit plan or tactful abandonment of it in favor of some other scheme. Until progress is made on these problems, Pakistan is unlikely to be able to achieve political stability, regardless of changes in top positions and the good intentions of its leaders.

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NEW POLITICAL ALIGNMENTS DEVELOPING IN GREECE

As the conservative Greek Rally of Prime Minister Papagos gradually weakens, intensified maneuvers of its leaders for alliances to ensure their political survival are developing new alignments.

The effectiveness of the Rally, which has given Greece more than two years of the stabilist government it has enjoyed since the beginning of World War II, appears to be almost ended. Papagos, the only one capable of holding the Rally together, is in declining health and unable to perform his duties.

The government gained considerable momentum in 1953 and early 1954 when it restored confidence in the currency by revaluation and trade liberalization, secured substantial foreign credits for internal economic development and increased its external security through defense arrangements with the United States, Turkey and Yugoslavia. Starting with the resignation in April 1953 of the Rally's chief economic planner and spark plug, former co-ordination minister Markizinis, that momentum has been dissipated and the government's

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actions have aroused increasing dissatisfaction.

The American embassy in Athens reports considerable sentiment in favor of a new alliance which would cut across traditional lines and break away from the antiquated foundations of the present parties. Supporters of the new party concept, both in the Rally and the opposition, believe that the leaders of the present parties are largely discredited. They think the country needs new political faces and a program responsive to current problems, particularly in the economic sphere, where the Rally's policies have not matured to the benefit of the people as a whole. Such a new party would probably be nationalist in tone and less receptive to American influence than the Rally, although it would retain firm Greek ties with the West.

Constantine Karamanlis, capable minister of communications and public works, is a strong proponent of a new party and its probable leader if it materializes. Karamanlis has a real popular following, arising primarily from his connection with road-building and communications expansion programs which have been of immediate benefit to large parts of the population.

The president of parliament, Constantine Rodopoulos, who reportedly considers himself the key to holding the Rally together after Papagos is gone, favors the new-party idea, as does Panagiotis Pipinellis, King Paul's unofficial political adviser, who has been opposed to the Rally. The palace also is reported to be sympathetic to a possible political combination headed by Karamanlis, whom it considers the best qualified candidate to succeed Papagos.

Liberal Party leaders, except party chief George Papandreou, would probably join in

forming a new party led by Karamanlis and his associates, especially since their party has become divided and ineffective. A large segment of the Rally would likewise be receptive, leaving the small followings of Foreign Minister Stephanopoulos, Defense Minister Kanellopoulos and others to make whatever alliances they could.

Karamanlis is reported to have stated that he would accept a call by the king to form a provisional government in the event of Papagos' death or retirement. His government would consist of both Rally members and right-wing Liberals. He would want to keep this government in office for about four or five months, long enough to prove the new concept and to gain popular confidence, probably by taking vigorous steps to reverse the inflationary trend and speed up economic development. Then he would be ready to seek a mandate from the people. For the elections, Karamanlis would introduce new personalities from all over the country as future leaders in his government.

Behind the trend toward a new political combination is a growing feeling among moderates that something must soon be done to stop the drift of popular support toward the newly formed Liberal Democratic Union of former Liberal leader Sophocles Venizelos. His party is composed of defectors from the Liberal Party and the declining National Progressive Union of the Center (EPEK). In an election, however, it would probably also be supported by the remnants of EPEK, the small Democratic Party, and very likely the Communist-dominated United Democratic Left--approximating the popular front which was successful in the municipal elections of 1954.

Venizelos' recent public statements are increasingly neutralist and sympathetic to domestic Communist "pacification"

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